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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

In the Matter of

Amendment of the Commission's ) Gen. Docket No. 90-314
Rules to Establish New Personal )
Communications Services ) ET Docket 92-100

COMMENTS
OF THE
THE LINCOLN TELEPHONE AND TELEGRAPH COMPANY

#### I. INTRODUCTION AND BACKGROUND

On August 14, 1992, the Commission released a <u>Notice of</u>

<u>Proposed Rulemaking and Tentative Decision</u> in GEN Docket 90-314

and ET Docket 92-100. (See <u>Amendment of the Commission's Rules</u>

<u>to Establish New Personal Communications Services</u>, FCC 92-333,

released August 14, 1992 (<u>Notice</u>)). The Lincoln Telephone and

Telegraph Company (Lincoln) respectfully submits these comments

in response to the <u>Notice</u>.

Lincoln is a local exchange carrier serving over 240,000 access lines in 22 contiguous counties in southeast Nebraska. Lincoln's market and regulatory situation are unique: over half of the company's access lines are located in one exchange with the remainder scattered among 136 rural exchanges. From a regulatory standpoint, Lincoln's situation is also unique. On the one hand, Nebraska's legislature deregulated the pricing of all services except local exchange service in 1986 and, thus, the state regulatory burden is much reduced. On the other hand,

regulatory overhead associated with this Tier One status obviates much of the regulatory relief granted by the Nebraska legislature.

Lincoln has long been considered a leader in the deployment of technology in Nebraska, being the first in the state to deploy radio-telephone service (1946), to establish a dial tone center designed for later connection with the nationwide toll dialing system (1950), the first to offer intrastate WATS (1968), to establish a 911 center, to deploy digital switching and to use fiber optics. Lincoln will reach a major milestone in December of this year as it converts its last electromechanical exchange to digital.

It is from this long-standing tradition of being a technological leader in Nebraska and of providing affordable and comprehensive communication services to customers in a largely rural service area that Lincoln wishes to comment on the Personal Communications Services docket. Lincoln has played a significant role in the development of new services in rural areas and strongly desires the opportunity to continue providing its customers with the new services they have come to expect. Lincoln has first hand experience with the benefits of a streamlined regulatory process as it relates to the deployment of new services because of the regulatory climate in Nebraska.

Lincoln agrees wholeheartedly with the public policy goals set forth by the FCC in this proceeding: universality, speed of deployment, diversity of services and competitive delivery and is vitally interested in the outcome of this proceeding.

The comments that follow discuss the Commission's definition of Personal Communications Service (PCS), eligibility issues, and licensing issues as they relate to Lincoln's participation in the establishment of PCS. Lincoln strongly believes that Local Exchange Carrier (LEC) participation will be crucial to a timely and ubiquitous rollout of new wireless services. Lincoln also believes that the outcome of this proceeding will to a large degree determine its ability to respond to an increasingly competitive environment.

#### II. DEFINITION OF PERSONAL COMMUNICATIONS SERVICE (PCS)

A. PCS should be defined as a low-power, pedestrianoriented service, having similarities to but distinctly different from cellular service.

The Commission has proposed an expanded view of PCS which includes high-power applications, as evidenced in the Notice1.

This proposal is inconsistent with Lincoln's view of PCS (and the

Notice of Proposed Rulemaking and Tentative Decision, FCC 92-333, August 14, 1992 ("Notice") at para. 116.

original Bellcore conception of the service<sup>2</sup>) as a <u>low-power</u> (<1 watt), pedestrian-oriented portable service. Lincoln believes that high power systems as contemplated by the Commission will be more likely to interfere with existing microwave users and with each other. High power systems will also result in shorter battery life for mobile units.

The Commission appears to view PCS as competition for cellular. While PCS is undoubtedly similar to cellular service in many respects, Lincoln does not believe it should be considered an equivalent service or a replacement for cellular. Each service was conceived and designed for a specific market — cellular for high-power, vehicular service, and PCS for low-power, pedestrian service. While there is some degree of overlap, each still has a distinct intent. This issue is important as spectrum is a limited resource and its allocation must permit an optimal level of new services. Lincoln urges the Commission to narrow its definition of PCS, while still providing flexibility to ensure that a full range of PCS services are available.

Bellcore Framework Technical Advisory, FA-NWT-001013, Issue 2, December 1990.

# B. Classifying PCS as a Common Carrier service is in the public interest and will best accomplish the Commission's goals for PCS.

Lincoln believes PCS should be defined and classified as a common carrier service if the Commission is to achieve the goals outlined in the Notice<sup>3</sup> -- namely, universality, speed of deployment, diversity, and competition. Such a classification would allow for symmetrical & competitive services among PCS, cellular, and landline providers.

Common carriage inherently contains the necessary elements and requirements to achieve these goals, such as obligations to serve and subsidization safeguards. Lincoln believes these requirements are critical to meeting the Commission's goals.

Also, Lincoln urges the Commission to focus on the universal service goals of this nation. Lincoln believes that PCS will openly compete with LECs and that to achieve competitive parity, PCS should be classified as a common carrier service and that the rules governing PCS should apply equally to all providers.

Notice at para. 6.

#### III. ELIGIBILITY ISSUES

## A. Local Exchange Carriers are uniquely qualified to offer PCS, and should be allowed to do so on a competitive basis with other providers.

Lincoln agrees with the Commission that there is a strong case for allowing LECs to provide PCS within their serving areas. PCS is a natural extension of the local exchange carrier's networks and one which will provide increased flexibility to a diverse group of customers. Approximately 44% of Lincoln's customers are located in rural areas, where new technology (both wireline and wireless) is viewed as key to the areas future economic vitality.

Lincoln, like other LECs, has a track record of expertise in and commitment to providing services to the public at affordable prices. In addition, Lincoln has the technical expertise and the customer commitment to ensure the Commission's goal of universality, timely deployment and competitive delivery to both metropolitan and rural areas.

The LEC industry has also been an important player in the standards setting processes and LEC participation in PCS would facilitate the important need for systems to be interoperable and compatible with each other. Moreover, the integration of PCS with LEC networks will allow customers to use the intelligent

network features available on the public switched network, further adding value to PCS.

For these reasons, Lincoln strongly urges the Commission to develop a regulatory structure which provides LECs with a full allocation of PCS spectrum. While part of this allocation could be used by LECs for a "wireless tail" application as discussed in the Notice, Lincoln does not believe the Commission's goals will be achieved by limiting LECs to that use only. In meeting the diverse and varied needs of its customers at reasonable prices, Lincoln needs to be able to deploy the optimal mix of fiber, copper and radio. PCS in particular may represent an extremely cost-effective way for Lincoln to continue meeting its universal service obligations in the rural areas it serves, especially the 96 exchanges that have fewer than 500 access lines. It is in these rural exchanges especially where competition has not developed in the telecommunications market. Because of this, special consideration should be given to rural areas so that these areas do not become deficient, as compared to urban areas, in the offering of new telecommunication services. To that end, Lincoln recommends that one of the five licensed spectrum allocations be reserved for exchange carriers providing services within Rural Statistical Areas ("RSA"). This allocation would be divided among the exchange carriers serving each particular RSA.

Such an allocation would still support the competitive delivery of services, since there would be four other licenses in the RSA. Failure to make such a provision would likely mean that Lincoln's rural customers would not enjoy the same level of communications service they have come to enjoy and expect. Lincoln further believes that LECs should not be restricted because of cellular holdings that they may possess.

The Commission raised the issue of cross-subsidization safeguards as they apply to LEC participation in PCS. Lincoln urges the Commission to apply such safeguards to all PCS service providers, including LECs, cable TV companies, and other providers. LECs should not be singled out in this issue.

## B. Cellular carriers should be eligible to provide PCS within their serving areas.

Lincoln also believes that cellular carriers should be allowed to offer PCS within their cellular serving areas. As previously stated, cellular and PCS though related, are distinct services designed for distinct markets. Lincoln recognizes the cellular industry's expertise in providing wireless services, and believes that it would be in the public interest to allow the cellular carriers to bring that expertise to bear in the PCS market.

Both LECs and cellular carriers should be eligible for PCS licensing in the 2 GHz band as well as the 900 MHz band, for the above stated reasons.

#### IV. LICENSING ISSUES

### A. Licensing Five PCS providers with an allocation of 20 MHz each will enable competitive service offerings.

Lincoln believes it is beneficial and consistent with the Commission's goals to license multiple PCS providers. Doing so allows for a wide variety of players to participate and enhances customer's opportunity to select a provider that meets his or her needs. Licensing multiple providers also helps promote standards and interoperability.

Lincoln recommends licensing five PCS service providers per market. These spectrum allotments, together with the two existing cellular allotments, would yield a total of seven licensed wireless (PCS and cellular) allocations. Some markets will obviously not support five PCS service providers. In such markets, it would be appropriate to allow a service provider to hold more than one PCS license. A limit of two wireless licenses for each provider (either two PCS or one cellular and one PCS) would provide for the existence of at least three PCS providers, and at least four total wireless service providers (including cellular).

Lincoln supports an allocation of 20 MHz for each of the five licensees. We also believe that a spectrum allocation for unlicensed PCS, which would support, among other services, localized devices and services such as wireless LANs and wireless PBXs, would help encourage rapid and widespread implementation of these services. An unlicensed allocation could also act as a temporary home to licensees who encounter incumbent users within their licensed allocations. Lincoln recommends that two additional 20 MHz allocations be designated for unlicensed narrowband PCS, as well as 20 MHz for wideband applications. Given five licensed service providers, two unlicensed narrowband allocations, and one wideband allocation, this would of course require that more than 110 MHz be allocated for PCS.

# B. Small license areas will better serve the public interest by allowing for a wider variety of competition, and will allow the PCS market to evolve naturally.

Lincoln is opposed to the creation of new larger market areas, as well as national licenses. Starting with large service areas prejudges how this service will evolve. From the point of view of allowing the market to evolve naturally, it will be easier to combine smaller license areas than break up larger areas. Small service areas will also ensure that rural areas are provided with PCS service in a timely manner.

Defining large service areas will inherently prohibit many small companies from being players and could disadvantage incumbent wireless providers and smaller LECs. It would also work in opposition to the Commission's goal of universality because of a "metropolitan-area first" marketing approach by large providers. Universal service in the telecommunications industry has been possible only because of the existence of small companies willing to serve rural areas. The licensing of national carriers would undermine the need for standards and interoperability, limit the number of eligible players and inhibit small businesses.

Lincoln believes that smaller licensing areas will better serve the American public and the Commission's goals. We also believe that using an existing structure will eliminate the confusion of introducing yet another service area scheme into the telecommunications industry. To that end, we believe that the maximum size of a PCS license area should be one that corresponds to existing MSA/RSA boundaries. We also recommend that all licenses be awarded according to this same serving area size. Doing so will help create a level playing field, and will allow the service to evolve as the market dictates.

Finally though administrative problems were encountered in the licensing of cellular, Lincoln believes these problems can be

addressed in the licensing mechanisms not in the size of the license areas.

C. A postcard lottery with a short filing window and a 2472 hour period to produce a technical and financial
showing after being selected will help reduce
speculation and allow a rapid and efficient roll-out of
the service.

Lincoln understands that the issues involved in licensing procedures are complex, and that each method has advantages and disadvantages. Lincoln believes that comparative hearings may be too slow, to meet the Commission's goals and that competitive bidding would inherently eliminate small companies. Lincoln believes these licensing methods would not serve the public interest and that the most reasonable method of licensing would be a modified lottery process. While it will be impossible to completely eliminate speculation, Lincoln believes that steps can be taken to reduce its occurrence. Lincoln supports the concept of a postcard lottery with a 72 hour filing window and a significant (yet reasonable) filing fee. Lincoln believes the Commission should require strict financial and technical qualifications and construction timelines. A period of one business day should be sufficient for those selected to produce a detailed technical and financial showing, although a period of up to three business days would be acceptable. Such a system would reduce speculation and ease the Commission's administrative

burden. Contingent winners should be chosen only after the initial selectee failed to produce the required technical and financial information. Selection and announcement of the contingent winner at the time of the lottery winner announcement would likely result in litigation by the contingent winner.

#### V. SUMMARY

In summary, Lincoln commends the Commission's efforts to develop a regulatory structure which supports the timely deployment of a diverse range of wireless services. Lincoln shares the view that consumers should have access to new technologies and has first-hand experience in rolling out new services quickly in Nebraska. Lincoln's customers, both rural and urban, have come to expect much more than POTS and are increasingly relying on advanced telecommunications features at home, work and play. For these reasons, Lincoln urges the Commission to ensure that LECs are allowed to participate in the provision of PCS in their service area, to classify PCS as a common carrier service to ensure regulatory parity, to use small geographic areas (not to exceed MSA/RSA standards), to use a modified form of lottery in making allocations, and to award five licenses with an allocation of 20 MHz each in each market area.

Lincoln also agrees with the Commission that PCS is likely to be both a complement and a competitor to existing wireline

exchange service. However, Lincoln emphasizes that PCS is just one of many new competitors it faces in the local exchange market. These new competitors are increasingly placing pressure on local rates, and LECs must have access to new technologies, such as PCS, if they are to continue to meet their universal service obligations.

Respectfully submitted

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November 9, 1992

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